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RUEHCV/AMEMBASSY CARACAS PRIORITY 2831  
RUEHPE/AMEMBASSY LIMA PRIORITY 0010  
RUEHZP/AMEMBASSY PANAMA PRIORITY 4270  
RUEHQT/AMEMBASSY QUITO PRIORITY 0003  
RUEHSG/AMEMBASSY SANTIAGO PRIORITY 2514  
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SUBJECT: COLOMBIA: BIOFUELS MEANS JOBS IN POST-CONFLICT  
ZONES

¶1. (U) Summary. Environment Minister Carlos Costa recently highlighted for us the rationale behind Colombia's biofuels policy: 1) create jobs in rural and post-conflict zones; 2) remain self-sufficient as an energy producer; and 3) protect the environment. The policy has been bolstered by Colombia's success in providing in major cities a 10 percent mix of ethanol (E10) from sugarcane in gasoline pumps and a 5 percent mix of biodiesel (B5) from palm oil in diesel pumps. Colombia's mandate for biofuels for 2012 and 2015 are E15/B15 and E20/B20 levels respectively, which may be overly ambitious. End Summary.

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Economic Development in Rural and Post-Conflict Zones  
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¶2. (U) Minister Costa told Econoffs on August 27 that the GOC's primary reason to invest in and expand the biofuels sector is to create jobs in rural areas and post-conflict zones. According to the Colombian Association of Sugarcane Cultivators (Asocana), the sugarcane industry employs 36,000 direct employees and over 212,000 indirect employees. The palm oil industry employs more than 42,000 direct employees and 63,000 indirect employees. Both industries, which are located in rural areas, have been expanding into post-conflict zones, creating a licit economy with social programs that benefit the communities and providing additional revenue streams to poor municipalities. Colombia's initiative to increase biofuel levels will expand cultivation and production further into the rural and post-conflict zones (e.g., Narino, Valle de Cauca, Meta, Casanare) and create much needed employment.

¶3. (U) Small farmers also are enjoying the benefits of the biofuel boom. According to the Federation of Palm cultivators and producers (Fedepalma), small farmers have united to form alliances to create better economies of scale and become more competitive. There has been a major increase in the participation of small farmers (with less than 20 hectares), generating 18.4 percent of Colombia's palm oil production in 2008 compared to 3.7 percent in 1999. (Note: Under Plan Colombia, USAID has assisted at least 80 percent of the small farmer alliances, which account for an estimated 50,000 hectares of palm cultivation. End Note.)

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Remain a Net Exporter of Energy  
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¶4. (U) The second priority in expanding biofuels production, according to Minister Costa, is to remain self-sufficient as an energy provider. The GOC expects to continue to be a net exporter of oil and gas through at least 2019. These predictions continue to change as more, but smaller, oil and gas fields are discovered. That said, Colombian authorities maintain that the country needs to complement its oil and gas reserves with biofuels. The largest consumer of petroleum products is the ever-expanding transportation sector. Ethanol and biodiesel, however, are still priced higher than their counterpart fuels, but Costa noted that a greater increase in supply should reduce biofuel prices.

¶5. (U) Currently, there are 337,000 hectares of palm under cultivation and more than 205,000 hectares of sugarcane. Minister of Mines and Energy Hernan Martinez told us that the objective over the next 20 years is to convert three million hectares of fallow cattleland into sugarcane and palm fields for the production of ethanol and biodiesel.

¶6. (U) The sugar and palm oil producers are encouraged by Colombia's success in providing in major cities a 10 percent mix of ethanol (E10) from sugarcane in gasoline pumps and a 5 percent mix of biodiesel (B5) from palm oil in diesel pumps. Colombia's mandate for biofuels for 2012 and 2015 are E15/B15 and E20/B20 levels respectively. Biofuel experts we consulted estimated the targets are overly ambitious given the available technology in country.

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Protect the Environment  
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¶7. (SBU) Minister Costa acknowledged the potential hazards of what an increase in biofuels may have on the environment, particularly deforestation. In an attempt to mitigate this hazard, the Ministry of Environment and the Institute of Hydrology, Meteorology, and Environmental Studies (IDEAM) have created a map of Colombia that charts areas for palm and sugarcane expansion. The biofuels plan seeks to avoid deforestation and use fallow cattleland and grasslands, generating a neutral or beneficial impact. Stakeholders in both industries are reviewing the map.

¶8. (SBU) Costa is also interested in an environmental and social certification program for the biofuels industry. Norms have yet to be decided, but he cited European standards as a possibility. Econoffs noted that pilot projects of the World Wildlife Fund and the Rainforest Alliance are establishing an environmentally-friendly certification process for palm oil producers. If successful, the palm oil industry could rebrand itself, since its image has suffered within the NGO community. (Note: NGOs have accused the palm industry for environmental damage of monocropping, displacing people to acquire more land, and disproportionately favoring large landowners. End Note.)

¶9. (U) Both industries are conscious of the environment and are looking for ways to reduce their carbon footprint. According to Asocana, most Colombian ethanol mills are energy self-sufficient and use bagasse -- a byproduct of ethanol production -- to generate the power for their plants. Surplus bagasse-based power is sold to the national electric grid.

¶10. (U) The palm oil industry, led by Fedepalma, is looking to become energy self-sufficient through a recently approved UN Clean Development Mechanism (CMD) umbrella project. This project will capture methane from the residual pool of 32 palm oil plants and use the captured methane in cogeneration, powering the palm oil plants and providing surplus energy to the national grid. In May 2009, the UN's Executive Committee for the Clean Development Mechanism (CDM) approved Fedepalma's project, making the Colombian initiative the largest sectoral CDM project registered by the UN Framework Convention on Climate Change.

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Comment: Opportunities for Energy Cooperation  
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¶11. (SBU) Post is exploring potential areas of cooperation to best match Colombia's agenda with the Administration's goals under the Energy and Climate Partnership of the Americas. Areas of interest here in Colombia are biofuels, wind, geothermal, carbon/methane capture, trans-border electricity transmission, green cities, and the privatization/reforming of state-owned utility and energy companies.

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